

Message Text

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PAGE 01 TEGUCI 02087 162210Z

15

ACTION ARA-20

INFO OCT-01 ISO-00 EB-11 SWF-02 AGR-20 TAR-02 COME-00

TRSE-00 OMB-01 CIAE-00 INR-10 NSAE-00 RSC-01 L-03

SIL-01 LAB-06 SP-03 AID-20 NSC-07 CIEP-02 SS-20

STR-08 CEA-02 DRC-01 /141 W
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R 162047Z MAY 74

FM AMEMBASSY TEGUCIGALPA

TO SECSTATE WASHDC 7109

INFO AMEMBASSY BOGOTA

AMEMBASSY BRASILIA

AMEMBASSY GUATEMALA

AMCONSUL GUAYAQUIL

AMEMBASSY MANAGUA

AMEMBASSY PANAMA

AMEMBASSY QUITO

AMEMBASSY SAN JOSE

C O N F I D E N T I A L TEGUCIGALPA 2087

GUATEMALA ALSO FOR ROCAP

E.O. 11652: GDS

TAGS: KIND, HO

SUBJECT: BANANA TAX DEVELOPMENT

REF: TEGUCIGALPA 2068

SUMMARY: EMBOFF IN DISCUSSION IWTH MIKE ROTOLO, GENERAL MANAGER, STANDARD FRUIT, HONDURAS, PRESENTED APPARENT ATTITUDES GOH ON LABOR NEGOTIATION PROBLEM AND COMMUNICATIONS DIFFICULTIES THAT SEEM TO EXIST BETWEEN COMPANY AND GOVERNMENT. COMPANY RESPONSIVE TOWARD ATTEMPT TO RESOLVE BOTH PROBLEMS BY ENTERING INTO SEPARATE CONFIDENTIAL DISCUSSIONS WITH GOH AND UNION OUTSIDE OF THE LEGAL CONCILIATIONS PROCEDURE WHICH IS TO BE INITIATED THIS WEEK. BUSINESS REPRESENTATIVES FROM LA CEIBA
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PAGE 02 TEGUCI 02087 162210Z

AND SAN PEDRO PRESENTED PETITION TO CHIEF OF STATE LOPEZ

SEEKING REMOVAL OF BANANA EXPORT SURCHARGE. STANDARD OPERATIONS ENVISAGE SHIPMENT OF ONE VESSEL LOAD PER WEEK COMPOSED OF APPROXIMATELY 60 PERCENT CONTRACT PRODUCER BANANAS. END SUMMARY.

1. STANDARD FRUIT VIEW OF LABOR CONTRACT NEGOTIATION PROBLEM IS THAT UNION DEMAND, UNCHANGED FOR PAST SIX MONTHS, FOR A 150 PERCENT WAGE INCREASE COMPLETELY BEYOND REASON. COMPANY HAS PREPARED PROPOSAL, NOT YET TABLED, WHICH WOULD OFFER CONTRACT BENEFITS TO LABOR HIGHER THAN THOSE CURRENTLY PAID BY UNITED FRUIT IN HONDURAS. THIS PACKAGE HAS NOT BEEN TABLED BECAUSE OF APPARENT LACK OF UNION WILLINGNESS TO NEGOTIATE ECONOMIC ISSUES (SEE REFTEL). COMPANY HAS ACCEPTED CHANGES OF WORDING ON ADMINISTRATIVE ISSUES IN ORDER TO SATISFY NEED OF UNION NEGOTIATORS TO POINT TO GAU S MADE ADMINISTRATIVE AREA. REMAINING UNRESOLVED 28 ISSUES PRIMARILY ECONOMIC IN TERMS OF SPECIFIC MONETARY OR FRINGE BENEFITS.

2. MINLAB FONSECA AND ROTOLO AND HEAD OF UNION MAY ENTER PRIVATE DISCUSSIONS TO PARALLEL CONCILIATION TALKS. THIS COULD RESULT IN BOTH A WORKABLE SOLUTION TO CONTACT NEGOTIATIONS TO AVOID STRIKE, AND IMPROVED GENERAL COMMUNICATIONS BETWEEN GOVERNMENT AND COMPANY.

3. BUSINESS REPRESENTATIVES AND INDEPENDENT BANANA PRODUCERS OF LA CEIBA AND SAN DEDRO AREAS PRESENTED PETITION TO CHIEF OF STATE LOPEZ TO REMOVE EXPORT SURCHARGE ON BANANAS. NORTH COAST ECONOMIC CONDITIONS IN COMMERCIAL SECTOR HAVE DETERIORATED SHARPLY. THIS APPEARS TO BE LESS CAUSED BY ACTUAL DECLINE IN BANANA INDUSTRY INCOME THAN BY RELUCTANCE OF WORKERS TO MAKE EXPENDITURES WITH FUTURE INCOME SO UNCERTAIN. STANDARD HAS INITIATED LOAN PROGRAM OF UP TO 50 PERCENT OF NORMAL INCOME FOR DOCK WORKERS. THE COMPANY IS ATTEMPTING TO IDENTIFY "BREADWINNER" EMPLOYEES OF PACKING OPERATIONS IN ORDER THAT SIMILAR LOANS BE MADE AVAILABLE TO THEM. EFFECTS OF ANTICIPATED LOWER INCOMES ON BUSINESS ELEMENTS AND THE RESULT OF THEIR PRESENTATION TO CHIEF OF STATE DIFFICULT TO ASSESS. GROUP FROM LA CEIBA NOT ACTING IN CONCERT WITH STANDARD BUT RATHER ON ITS OWN INITIATIVE AND WITH ITS OWN INTERESTS IN MIND.

CONFIDENTIAL

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PAGE 03 TEGUCI 02087 162210Z

4. STANDARD INTENDS TO SHIP ONE VESSEL PER WEEK OF BANANAS IN ORDER TO HANDLE TWO DAYS CUTTING OF INDEPENDENT PRODUCER PRODUCTION. EXPORTS WILL CONSIST OF APPROXIMATELY 60 PERCENT INDEPENDENT PRODUCER FRUIT AS AGAINST THE NORMAL 30 TO 35 PERCENT OF THAT FRUIT SHIPPED BY STANDARD. STANDARD UNDERSTANDS THAT "TTADITIONAL" MARKETS INCLUDE WESTERN EUROPE AND ITALY. IN MAKING RECENT SHIPMENT TO ITALY, STANDJRD INCLUDED ON ITS MANIFEST THAT IT WAS PROTESTING THE NECESSITY TO PAY THE

EXPORT TAX. KEY POINT HERE IS THAT STANDARD IS EXPORTING TO BOTH "TRADITIONAL" AND "NON-TRADITIONAL" MARKETS. THIS POINT HAS NOT BEEN CLEAR IN PREVIOUS DISCUSSIONS.

5. CONCERNING U.S. MARKET, DECISIONS ON SUPPLY AND SOURCE OF SUPPLY ARE BEING TAKEN BY STANDARD FRONT OFFICE IN SAN FRANCISCO ON BASIS OF CONDITIONS NOT KNOWN TO LOCAL MANAGER. HE IS AWARE THAT SUPPLY INTO U.S. MARKET HAS DECLINED BY 25 PERCENT AND THAT STANDARD IS SUPPLYING BANANAS TO THE U.S. FROM ECUADOR.

6 UNITED FRUIT IN FORTUITOUS POSITION OF VERY LOW MAY PRODUCTION FOLLOWING EXCEPTIONAL BURST OF EXPORTS BEFORE TAX APPLIES LATE APRIL. UNITED FRUIT HONDURAS, THEREFORE, HAS STRONG FIRST QUARTER SALES AND NO PRESENT NEED TO WITHHOLD PRODUCTION AND SHIPMENT.

7. COMMENT: AS FAR AS EMBASSY CAN DETERMINE, THERE IS NO POLICY ON THE PART OF STANDARD TO NOT SHIP TO U.S. MARKET FROM HONDURAS IN ORDER TO BRING PRESSURE ON GOH . IF GOH OBJECTIVE IS ECONOMIC - INCREASED GOH REVENUE - STANDARD AND UNITED HAVE ALWAYS ACCEPTED RENEGATIONS OF THEIR BASIC CONTRACT ON TAX PAYMENTS TO GOH. HOWEVER, PANAMA AGREEMENT ON SURCHARGE POLITICIZED THE ISSUE BEYOND THE CAPACITY OF RESPONSIVENESS OF STANDARD AND UNITED IN HONDURAS. STANDARD'S EFFORTS AT PERSUASION AND INFORMATION ON ECONOMIC ASPECTS HAVE BEEN POLITICALLY INTERPRETED BY GOH AS SELF-INTEREST AND OBSTRUCTIONIST. REESTABLISHMENT OF COMMUNICATIONS AND CONFIDENCE THE MOST DIFFICULT SHORT-TERM TASKS.
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